KENWOOD ELECTRONICS (M) SDN BHD & ANOR A

v.

PROFILE SPEC (M) SDN BHD & ORS

HIGH COURT MALAYA, KUALA LUMPUR B
ABDUL WAHAB PATAIL J
[CIVIL SUIT NO: D4-22-2270-1998]
9 FEBRUARY 2007

TRADEMARKS: *Passing off - Audio-video equipment - Plaintiff exclusive distributor of product - Product also sold and distributed by defendant - Product sold by defendant genuine and not fakes - Whether could be guilty of passing off or false representation - Whether there was infringement of trade mark* C

CIVIL PROCEDURE: *Injunction - Trademarks - Allegation of infringement thereof - No passing off or misrepresentation of product - Whether claim misconceived - Whether injunction to be refused* D

The first plaintiff is a subsidiary of the second plaintiff, the registered proprietor of the 'Kenwood' trademark. By virtue of a distributorship agreement between them, the first plaintiff is also the exclusive distributor of the second plaintiff's Kenwood audio-video equipment in Malaysia. Misunderstandings arose between the plaintiffs and the defendants, when the latter were found to be also selling and distributing Kenwood audio-video equipment in this country. The facts showed that the Kenwood audio-video equipment sold by the defendants were genuine product, albeit that they were sourced from the second plaintiff's distributor or distributors elsewhere. Be that as it may, the plaintiffs alleged that the defendants, by engaging in such activities, were guilty of trademark misrepresentation and passing off, and in the circumstances applied to restrain the defendants from importing and selling the product in Malaysia. The issue was whether there was sufficient cause of action for the plaintiffs to depend their case on, bearing in mind that the Kenwood audio-video equipment sold by the defendants were not fakes, and that the defendants were providing their own warranties and after sales service for the product. E F G H I

Held (dismissing claim):

(1) Since the Kenwood audio-video equipment sold by the defendants are not fakes but genuine Kenwood audio-video equipment, there is no passing-off or misrepresentation committed by the defendants. The defendants have placed their own serial numbers on the equipment and have also provided after sales service thereof. This shows that they have not passed off the Kenwood audio-video equipment they sell as the Kenwood audio-video equipment of the first plaintiff. (para 4)

(2) The second plaintiff had benefited from the sales transacted by whomsoever who sold their Kenwood audio-video equipment to the defendants. The actual grievance is that of the first plaintiff who had an exclusive distributorship agreement with the second plaintiff. But an exclusive distributorship agreement with the second plaintiff is a matter between the first and second plaintiffs and does not concern the defendants. Bearing in mind that the first plaintiff is wholly owned by the second plaintiff, the action by the plaintiffs in Malaysia against the defendants is disingenuous. (para 6)

(3) The mere fact that the activities of the defendants had caused the plaintiffs to lose potential profits does not make a cause of action. (para 8)

(4) As the defendants were selling genuine Kenwood products and were not guilty of false representation, the complaint of breach of trademark is without foundation. The defendants also did not use "Kenwood" as part of their name, and nor did they use the plaintiffs' warranties or facilities for service. Consequently, there was no confusion entailed to the consumers. (para 9)

For the plaintiffs - A Kanesalingam (K Shanmuga with him); M/s Kanesalingam & Co

For the defendants - Anita Stephen; M/s Philip Choong & Co

Reported by WA Sharif

JUDGMENT

Abdul Wahab Patail J:

[1] The first plaintiff is a company incorporated in Malaysia and carrying on business as the exclusive distributors of Kenwood car and home audio-video equipment in Malaysia for the second plaintiff for more than six years pursuant to an agreement with the original manufacturers Kenwood Corporation, the second plaintiff, a company incorporated in Japan and the wholly owning parent company of the first plaintiff. The second plaintiff is the registered proprietor of the Kenwood trade mark duly presented for registration and registered as Trade Mark No. 83/00597 in the Registry of Trade Marks in Kuala Lumpur on 3 February 1992.

[2] It was pleaded by the plaintiffs as follows:

(a) The first plaintiff imports into Malaysia Kenwood sells audio-video equipment manufactured by the second plaintiff in Japan and the first plaintiff sells the Kenwood audio-video equipment so imported to various wholesalers in Malaysia who in turn sell the said Kenwood equipment to authorised Kenwood dealers in various parts of the country pursuant to a network of distributorship agreements entered into by the said wholesalers and distributors and the first plaintiff.

(b) The plaintiffs' audio-video equipment is required to be sold by retailers to the public at fixed retail prices.

(c) The defendants in their normal course of trading have made false representations to the public that they are authorised Kenwood audio-video equipment dealers and have been passing off their products as if they were the same Kenwood products with the same benefits as sold by the plaintiffs in Malaysia in a manner which has deceived or confused and/or was calculated or likely to deceive or confuse members of the public dishonestly and maliciously and/or in order to discredit the plaintiffs with the deliberate object of causing deception and confusion by:

    (i) Selling to the public the Kenwood audio-video equipment at prices far below the retail prices in a manner calculated or likely to deceive or confuse the public into believing that the said equipment comprises the same elements of original Kenwood audio-video equipment sold by the plaintiffs set out in para. 16 below;

(ii) Issuing the defendants' own warranty cards when the defendants are not authorised to render after sales service for the said equipment and not authorised to print and issue such warranty cards and for which the defendants do not and cannot provide after sales service of the standard provided by the plaintiffs;

(iii) Selling Kenwood audio-video equipment in Malaysia which is not subjected to quality testing and inspection by the first plaintiff by giving the impression to the public that the equipment is regularly produced and made by the plaintiffs and duly warranted by the first plaintiff;

(iv) Selling audio-video equipment for which the serial number is obliterated or covered by some other fake serial number given to the product by the defendants.

(d) The first plaintiff as the wholly owned subsidiary of the second plaintiff has been selling Kenwood audio-video equipment in Malaysia for more than six years as the exclusive distributor of the said Kenwood audio-video equipment in Malaysia under and by reference to the mark "Kenwood".

Particulars of Use

The gross sales by the first plaintiff in Malaysia for the following years was as follows:

1996 RM47,707,289

1997 RM32,432,826

1998 RM44,778,446.00

(e) Further the first plaintiff has widely advertised and promoted their "Kenwood" audio-video products in Malaysia and in 1997 alone spent RM1,996,462 and in 1996 spent RM3,205,096 in sales promotion expenses.

(f) By reason of the matters aforesaid the first plaintiff has acquired a valuable goodwill in the name "Kenwood" in Malaysia when used in connection with audio-video equipment and the name denotes to the trade and public the audio-video equipment of the first plaintiff and none other.

(g) The second plaintiff has registered the name "Kenwood" for its audio-video equipment as a trade mark and sells the said Kenwood Products manufactured in Japan in the various countries of the world through its subsidiaries who are appointed exclusive distributors for the respective countries.

(h) In Malaysia the first plaintiff was selling "Kenwood" audio-video equipment as the exclusive distributor through a network of wholesalers located in various parts of the country who in turn appoint retailers of audio-video equipment as authorised dealers to sell the Kenwood audio-video equipment purchased by the wholesaler from the first plaintiff,

(i) The first plaintiff holds courses to train and update authorised dealers from time to time on point of sales service and an elementary after sales service.

(j) The first plaintiff has also established service centres in various parts of the country to which all authorised dealers alone have access.

(k) The first plaintiff has provided such service centres with necessary up to date manuals, equipment, devices and trained technicians with access to the manufacturer in Japan to attend to any complaints relating to audio-video equipment sold by the first plaintiff.

(l) The first plaintiff is duly authorised by the second plaintiff manufacturer to issue a Kenwood warranty for a period of one year from the date of purchase from an authorised dealer and the said warranty is required to be endorsed by that authorised dealer.

(m) All Kenwood audio-video products sold by the first plaintiff will be accompanied by a genuine Kenwood warranty.

(n) The price paid by a member of the public for the Kenwood audio-video equipment sold in Malaysia by the first plaintiff is expected by the public to cover and covers and includes the following:

(i) The Kenwood audio-video equipment itself

(ii) The original Kenwood warranty

(iii) Qualified point of sales service

(iv) Qualified after sales service

(o) By reason of the conduct of the defendants the goodwill of the first plaintiff has been affected or will probably be affected.

(p) The defendant has been selling in Malaysia equipment bearing the trade name "Kenwood" contrary to the wishes of the second plaintiff and has thereby infringed the rights of the second plaintiff as the registered proprietor of the trade mark in Malaysia.

(q) The first plaintiff further and/or in the alternative also claims that the defendants have brought in for sale in Malaysia Kenwood audio-video equipment manufactured/assembled in some other country by smuggling the same without paying customs duty in Malaysia and under-declaring the value thereof or of the parts thereof and the defendants have thereby acted contrary to law and caused the first plaintiff's goodwill to be adversely affected.

(r) By reason of the conduct of the defendants, the defendants have caused the public to doubt the pricing, quality, *bona fides* and reliability of Kenwood audio-video equipment manufactured/assembled and sold by the plaintiffs and have caused disrepute to Kenwood audio-video equipment being the products sold in Malaysia by the first plaintiff and disrepute to the plaintiffs and have put the plaintiffs to contempt, hatred and ridicule and the plaintiffs have thereby suffered toss and damage.

Particulars of losses

Loss of profits from sales of Kenwood audio-video equipment in Malaysia both currently and losses anticipated in the future caused by the loss of reputation.

(s) Further and/or in the alternative, the defendants knowing that the first plaintiff was the sole distributor of Kenwood audio-video products in Malaysia by virtue of a distributorship agreement made between the first plaintiff and the second plaintiff induced a breach of that contract by unlawfully procuring Kenwood audio-video products not intended for sale in Malaysia and by selling the said products in Malaysia aforesaid and thereby the defendants unlawfully interfered with and induced a breach of contract between the first and second plaintiffs with the intent of injuring the plaintiffs.

(t) WHEREFORE the plaintiffs' claims:

(i) An order that the defendants by themselves or by their servants or agents or otherwise howsoever be restrained from importing and selling in Malaysia Kenwood audio-video equipment without the consent of the plaintiffs bearing the Kenwood brand name which is not manufactured or assembled and supplied by the plaintiffs and on which the serial numbers are not issued by the plaintiffs;

(ii) Alternatively that the defendants by themselves or by the servants or agents or otherwise howsoever be restrained from importing and selling Kenwood audio video equipment without the Manufacturer's authorised Warranty and without point of sales service and after sales service backed by the second plaintiff manufacturer or the first plaintiff exclusive distributor in Malaysia;

(iii) Alternatively that the defendants by themselves, their servants or agents or otherwise howsoever be restrained from importing Kenwood audio-video equipment into Malaysia and/or selling them without Kenwood warranties and without proper point of sales service and after sales service.

(iv) Alternatively that the defendants by themselves, their servants or agents or otherwise howsoever be restrained from selling Kenwood audio-video equipment without Kenwood Warranty Certificates to members of the public unless:

(a) The defendants state expressly in writing in a manner that can reasonably be expected to be read by purchasers of Kenwood audio-video equipment in all advertisements and labels to each and every item of Kenwood audio-video equipment sold that the defendants are not the authorised dealers of Kenwood audio-video equipment and that the said Kenwood audio-video equipment are not covered by guarantees or warranties from Kenwood Corporation or its sole authorised distributor in Malaysia;

(b) The original serial numbers on the Kenwood audio-video equipment are removed or obliterated.

(v) Damages;

(vi) Interest on (iv) from the date hereof till full settlement at such rate as this honourable court deems fit;

(vii) Costs of this suit.

[3] The Trade Mark No. 83/00597 in Class 9 in the Registry of Trade Marks in Kuala Lumpur was extended on 8 August 1992 for 14 years from 15 October 1990. It was issued, to be precise, to Kabushiki Kaisha Kenwood (Kenwood Corporation).

[4] It is apparent that the Kenwood audio-video equipment sold by the defendants are not fakes. There is no passing off in the strict sense. They are genuine Kenwood audio-video equipment that the defendants have obtained, and which the defendants are reselling in Malaysia. There is, therefore, no misrepresentation that they are Kenwood audio-video equipment. The defendants have placed their own serial numbers and provided after sales service support. They have, therefore, not passed off the Kenwood audio-video equipment they sell as the Kenwood audio-video equipment of the first plaintiff.

[5] It was pleaded that the activities of the defendants caused loss to the plaintiffs.

[6] The second plaintiff benefited from the sales to whoever sold to the defendants their Kenwood audio-video equipment. The actual grievance is that of the first plaintiff who had an exclusive distributorship agreement with the second plaintiff. But an exclusive distributorship agreement with the second plaintiff is a matter between the first and the second plaintiffs and does not concern the defendants. Bearing in mind that the first plaintiff is wholly owned by the second plaintiff, the action by the plaintiffs in Malaysia against the defendants is disingenuous.

[7] It is not pleaded that the defendants are prevented by any purchase agreements of the Kenwood audio-video equipment, from exporting from the country of purchase, or importing into Malaysia, and to resell and provide after sales support. If there are grounds for objection, it is under the terms of the agreement in the country where the Kenwood audio-video, equipment were first sold, and not the defendants in Malaysia. It must be borne in

mind that it is apparent from the submissions of the plaintiffs' counsel that if the Kenwood audio-video equipment were bought from Taiwan, Thailand or Singapore they would be supplied by the subsidiaries of the second plaintiff also.

[8] The mere fact the activities of the defendants cause the plaintiffs to lose potential profits does not make a cause of action. It appears clear the second plaintiff entered into an exclusive distributorship agreement with its own fully owned subsidiary in Malaysia and set high retail prices in this country which the Defendants by purchasing elsewhere have been able to undercut.

[9] The Kenwood audio-video equipment sold by the defendants are not fakes, are therefore genuine Kenwood products. The complaint of breach of trademark is without foundation as the defendants were selling genuine Kenwood products. There is no false representation. The defendants did not use "Kenwood" as part of their name, but merely sold Kenwood audio-video equipment. They did not use the plaintiffs' warranties or facilities for service, but provided their own. The fact that their warranties are more limited is irrelevant. That is an issue between the defendants and their customers. There is no evidence of confusion or complaint by consumers.

[10] Erasure of Kenwood serial numbers and replacement with the defendants' own serial numbers, upon reflection, further removed possible confusion. It made it easy for the plaintiffs to identify those Kenwood audio-video equipment not sold by them, and customers would not face uncertainty. Serial numbers have no mystique of their own, and are useful only for record and warranty purposes.

[11] Smuggling and breach of customs duties laws was made. But there is no evidence.

[12] In the circumstances, the plaintiffs' claims are misconceived and must be dismissed with costs.